

IN THE MATTER OF THE ARBITRATION

BETWEEN

ESSEX COMMUNITY SCHOOL
DISTRICT,

Employer,

vs.

ESSEX EDUCATION
ASSOCIATION,

Employee
Organization.

ARBITRATION AWARD

Wilford H. Stone, Arbitrator

Issued: June 26, 2002

A. APPEARANCES

For Essex Community School District:

Sue Seitz, Attorney
Russ Hilker, Superintendent
Brian Walker
Larry Young

For Essex Education Association:

John Phillips, Uniserv representative
Nancy York
Sarah Lottridge
Sarah Kock

B. INTRODUCTION/STATEMENT OF JURISDICTION

This matter proceeded to an arbitration hearing pursuant to the statutory impasse procedures established in Iowa Code Chapter 20 (2002). The undersigned was selected to serve as arbitrator from a list furnished to the parties by the Public Employment Relations Board.

Pursuant to the parties' agreement, the arbitration hearing was held beginning at 1:00 p.m., June 14, 2002, in the library at the Essex Community School District, Essex, Iowa. The hearing was electronically recorded. The parties

stipulated that there is no dispute as to the arbitrability or negotiability of the items at impasse. The parties also submitted a "independent impasse agreement" waiving the May 31, 2002, date for completion of negotiations or impasse procedures. A copy is attached to this award. It was agreed that the Association would proceed with its presentation first.

In the course of the hearing, both parties submitted their evidence and were given full opportunity to introduce evidence, facts and present argument, rebuttal and surrebuttal in support of their respective positions. The Association called Nancy York as a witness. The parties presented their cases primarily through their representatives (John Phillips and Sue Seitz), who both argued their positions in a spirited manner. The oral presentations and arguments were of considerable assistance to the arbitrator. The parties chose not to submit post-hearing briefs, and the hearing was closed around 4:00 p.m. The award set forth below is based upon the arbitrator's weighing of all of the facts and arguments submitted.

C. EXHIBITS

The parties both submitted black notebooks containing their exhibits. Both black notebooks were admitted into evidence without objection.

D. ARBITRATION CRITERIA

Iowa Code Chapter 20 contains specific criteria that are to be used by an arbitrator in assessing the reasonableness of the parties' arbitration proposals. The criteria set forth in Iowa Code Section 20.22(9) (2002) states:

The panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

1. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.

2. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.
3. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.
4. The power of the public employer to levy taxes and appropriate funds for the conduct of its business.

The Iowa Code requires that the arbitrator must choose between the Association's final offer and the District's final offer on each impasse item. Iowa Code §20.22(3) (2002). The Iowa Code further provides that the arbitrator must select, without alteration, the most reasonable of the positions on each of the items at impasse and consider the statutory criteria in arriving at the decision as to which is the most reasonable. See Iowa Code §20.22(11) (2002).

E. ITEMS AT IMPASSE/FINAL OFFERS

2. **Salary Schedule for Certificated Personnel.** The Association proposes to maintain the basic salary schedule as currently agreed to between the parties, except that all employees located at the "career increment level" (the maximum step in each lane) on the schedule would receive \$500. The District proposes to retain the current base of \$21,670 and the current career increment and advance eligible employees one step.

2. **Article XI - Insurance.** The Association seeks to increase the District's contribution for single coverage to \$332.00 per month, and the District's contribution for family coverage to \$644.00 per month. The District offers to increase its contribution towards single coverage to \$311.00, and change the District's contribution to family coverage to \$604.00. The current contract provides

that the District shall pay \$332.00 per month for single coverage, and \$569.00 per month for family coverage. Both parties also proposed to change the dates in Article XI, paragraph (f) from 2001-2002 to 2002-2003.

F. BACKGROUND

Essex Community School District ("District") is located in Essex, Iowa, a town of approximately 900 persons located in southwestern Iowa in Page and Montgomery Counties. The District provides a complete education program in grades kindergarten through 12th grade. Essex school patrons are very proud of their school, and in recent elections voters in the district had the highest approval rate of the four districts in Page County, with over 70% approval. See District Exhibit 14, p. 4 of 19. The professional educators are represented by the Essex Education Association ("Association"). Of the 27 bargaining unit members represented by the Association, 25.2 are full-time equivalents. See District Exhibit 2. The District also employs two administrative employees (one superintendent; one K-12 principal); one board secretary/business manager; and 16 support staff members (secretaries, bus drivers, custodians, lunch room workers, teacher classroom associates, and media center associate.) They are not represented by the Association.

According to the Association, the last arbitration hearing between the parties was in 1980-1981. Until this year, the parties have resolved all of their disputes between themselves. The current agreement between the parties expires June 30, 2002. As noted above, the parties have agreed to waive the May 31, 2002, budget submission date. While the parties have apparently reached temporary

agreements on several issues (see District Exhibit 7), they remain at impasse on the following items.

G. POSITIONS OF THE PARTIES AND FINDINGS OF FACT¹

1. Salaries – Schedule 2.

A. District Position. The District proposes to retain the current base salary of \$21,670.00 and the current career increments and advance eligible employees one step. The District proposes to make no further changes to the salary schedule. Contrary to the Association, the District urges the arbitrator to compare Essex employees to other similarly situated employees in the Corner Conference Athletic Conference. See District Exhibit 3. According to the District, the Corner Conference Athletic Conference is composed of similarly situated K-12 school districts in the southwestern portion of the state of Iowa. See District Exhibit 3, page 2. The District argues that its comparability group is the most appropriate, as they all share the same workforce, property valuation, and lifestyles. The District further notes (Exhibit 5, page 1) that its proposals (including insurance) reflects all teachers, and notes that the Association chooses not to cost a .5 FTE tag teacher, and at least 3.5 FTE other teachers. See District Exhibit 5, page 1 of 4. The District calculates its total offer package to be a 2.16% increase. See District Exhibit 5, page 2 of 4, and District Exhibit 8. The District costs the Association's total package final offer to be 3.47%. See District Exhibit 8, page 2 of 2. The District calculates the difference in proposals to be around \$10,681. District Exhibit 8.

¹ The background and all exhibits submitted by the parties are incorporated into all findings of fact and conclusions of law.

The District argues that its wage (and insurance) is the most reasonable for several reasons. First, it notes that it has experienced a 17% decline in attendance since the 1991-1999 school year and now has fewer than 300 students. See District Exhibit 9. The District further notes that its regular program funds have increased only \$47,840.00, or less than 4%, over a seven year time period. See District Exhibit 10. It also argues that it was affected "more harshly" by the governor's 4.3% across the board cut due to the fact that a larger percentage of Essex's per student cost comes from state dollars rather than from property tax. See District Exhibit 11. The District notes that Essex has a lower property valuation per student than the other districts in its comparability group, even though all of the other comparable districts are in one of the poorest property valuation portions of the state of Iowa. *Id.* The District also notes that its unspent balance dropped around \$341,386.00, during the same period of time as the regular program grew only 2.2%. See District Exhibit 12. The District claims that it was "illegally spending more than it was authorized to spend." The District further claims that it is the only district in the comparability group with a negative solvency ratio in the comparability group. According to District Exhibit 13, the District claims that while the average solvency ratio is 15%, Essex is a negative 13%, which the District claims indicates the poor cash position of the District.

In this respect, the District notes that June 30, 2001, the District exceeded its operating fund authorized budget by \$136,577.00, thus incurring a negative unspent balance. The District notes that as required by law, it was required to submit a corrective action plan to be considered by the school budget review committee. Accordingly, the District submitted its March 18, 2002, corrective action

plan. See District Exhibit 14. In the corrective action plan, the District sets forth, among other things, its cost cutting or revenue enhancement actions, along with various exhibits in supports of its corrective action plan. *Id.* The District also presented evidence on funds, sources of revenue and restrictions on use of revenue (District Exhibit 15), an Exhibit concerning funding sources for the 2001-2002 school year (District Exhibit 16), a summary of settlements with districts with two years of negative unspent balances (District Exhibit 19A), and a district comparing regular program new money growth in the District's comparability group. See District Exhibit 20A. Although there is apparently a \$47,300 deficit in the Special Education Fund, the District asked for, and received permission to, levy property taxes to cover this deficit. See District Exhibit 14, p. 6.

The District also presented testimony comparing total salary and insurance in the Corner Conference (District Exhibit 17), and claims that under either proposal, the employees at Essex schools receive above the average in family contributions. See District Exhibit 18. The District argues that its insurance proposal constitutes \$114.79 more per month than the average for those in the comparability group. See District Exhibit 19. Finally, the District introduced an exhibit for regular program teachers only comparing the various proposals and options available to the arbitrator. See District Exhibit 22. The District claims that the Association's salary proposal unfairly distributes the increases to those persons at the top of the schedule who already compare "most favorably" with other districts. See par. 12, District summary. See also District Exhibit 17. It notes that at least four of the affected employees are in either the BA Lane/Max or MA Lane/Max that make \$1,120-\$1,252 more than the Association's comparability group. See

Association Exhibit 5-9. The District disputes the extent of its savings from turnover and reductions in force. It notes there are not four staff reductions, only .2 staff reductions. See Association 2-4. It further argues the new hires could take family insurance, and that they may have to fill many open positions (math, Spanish, and instrumental music) with experienced (and more expensive) teachers. It argues the District may have to pay "more" to fill these openings.

B. Association Position. The Association's proposal costs regular program staff only, and its 2002-2003 salary proposal amounts to \$600,088.00, an increase of \$12,879.00, or 2.19%. See Association Exhibit 2-1. The Association claims that under either its or the District's proposal, 2002-2003 co-curricular salary increases will amount to \$43,903.00, an increase of \$323.00 or .74%. See Association Exhibit 1-5. Neither party proposes an increase to the base salary. According to the Association, the only dispute between the parties is the Association's proposal to provide a \$500.00 career increment for several individuals who would not otherwise receive any pay increase for the 2002-2003 school year. See Association Exhibit 2-4 and 2-6. The parties are \$3,100 apart in wages. Association Exhibit 5-1. According to the Association, employees Kathy Campbell, Rosalee Kinnison, Susan Stewart (P/T), Allen Stuart, and Nancy York, all have 21 "plus" years of experience with the District but are "maxed out" on the salary schedule. The Association claims that these employees "have a total of 115 years of experience in the Essex Community School District." See Association Exhibit 1-6 and Exhibit 2-4. The Association proposes to increase each "cell" \$500. See Association Exhibit 1-4. The Association notes that the employer's proposal does not give these "loyal" employees any pay increase, and that this is unreasonable

and unfair. The Association notes that its proposal is also the most reasonable, because of the effect of resignations, staff reductions, and the teacher compensation law (i.e., regular funding versus special education funding). It notes that employees Caskey, Coffin, Darling, Hellrich, and Stuart have either resigned or been staff reduced. See Association Exhibit 2-3. It argues their salaries have already been "built into" the budget. The Association claims these changes will "positively change" the District's cash flow. See Exhibit 2-5. See Association Exhibit 2-5. The Association compares its proposal to the District's, and argues that its total package cost of 3.47% compares more favorably than the District's 2.16% total cost. See Association Exhibit 2-6. The Association also makes many of the same arguments regarding the total package and comparability as it did on the health insurance issue.

Regarding the comparability group, the Association claims it is using a "blended" comparability group made up of the ten schools larger and the ten schools smaller than Essex in enrollment, and the schools in the Corner Conference Athletic Conference. See Association Exhibit 3-3. The Association believes that using schools of similar enrollment is a strong comparability group for several reasons, including the fact that the schools share similar staffing patterns, that they share similar size budgets, and that the District must compete across the state for employees. *Id.* It argues the statutory language regarding the "area" to be considered has never been defined, and should be interpreted as the entire state. It notes that schools from around the state advertise job openings state-wide. See Association Exhibit 3-7 and 308. The Association's comparability contains thirty schools. Association Exhibit 5-6. The Association argues that the arbitrator should

place less reliance on the Corner Conference schools than on schools of similar size because of the disparate size of the schools in the Corner Conference. See Association Exhibit 3-3. The Association also presented evidence of comparability in enrollment, maximum expenditures and actual expenditures in the comparability group. See Association Exhibit 3-4. The map at Association Exhibit 3-5 contains the Association's proposed comparability group. Finally, Association Exhibits 3-6, 3-7, 3-8 and 3-37 contain further evidence of the Association's rationale for its comparability group. See also discussion below under Association position (insurance) regarding settlement trend.

C. Findings of Fact. According to the Association, the parties are only \$3,100 apart on salaries. See Association Exhibit 5-1. Under the Association's final offer each of four career teachers with a combined experience of over 115 years, who would not otherwise receive any pay increase, would receive \$500 each. The reason for this situation is that each of the four teachers are at the maximum step in each lane, and have no more room to advance on the lane. Thus, it appears from the testimony and exhibits that Kathy Campbell is at the end of the BA plus 36/MA Lane, Rosalee Kinnison is at the end of the MA plus 12 Lane, Allen Stuart is at the end of the MA plus 12 Lane, and Nancy York (who testified) is at the end of the BA Plus 36/MA Lane. See District Exhibit 17; Association Exhibit 2-4.

The parties were unable to agree on the appropriate comparability group. The Association would use a "blended group" made up of the ten schools larger and the ten schools smaller than Essex in enrollment as of September, 2001, and the schools in the Corner Conference Athletic Conference. See Association Exhibit

3-3, 3-4, and 3-5. The Association argues that using schools of similar enrollment is a strong comparability group because the school districts share similar staffing patterns, similar size budgets, and the districts must compete across the state of Iowa for employees. Using this comparability group, the Association argues that the average teaching salary in Essex ranks Essex number 22 out of 30 in the comparability group. See Association Exhibit 3-3, par. 9. Contrary to the Association, the District argues that the Corner Conference Athletic Conference is the appropriate comparability group. Compare Association Exhibit 3-5 with District Exhibit 3.

The Arbitrator believes that the Corner Conference Athletic Conference is the most appropriate group for the comparison of wages, hours, and conditions of employment of other teachers doing comparable work, as this comparability group shares the same workforce, property valuation, financial conditions, location in the state of Iowa, and "lifestyles." The Corner Conference Athletic Conference is located in the southwestern part of the state and is predominantly rural in nature.

In any event, the District's proposal is to retain the current base and the current career increments, and advance eligible employees one step. The Association's proposal is the same, except that it would propose to add \$500 to those employees at the top of each lane, and that are not otherwise eligible to advance one step. The only comparability information submitted by the parties was Association Exhibit 5-9, which purported to compare Essex to the Association's proposed "blended group" of thirty schools, and District Exhibit 17. See Association Exhibit 5-9 and District Exhibit 17. See also Association Exhibits 5-10 through 5-25. While the District disagrees with the Association's "blended group," it testified it

did not disagree with the information contained in Association Exhibit 5-9. The Arbitrator has recalculated Association Exhibit 5-9 using only the Corner Conference Athletic Conference comparability group.² Under this analysis, using only the Corner Conference comparability group as set forth in Exhibit 5-9, Essex teachers were below the average in virtually every lane: BA Lane minimum (\$23,107 average); BA Lane maximum (\$29,223 average, below Essex); MA Lane minimum (\$24,190 average); MA Lane maximum (\$35,013 average); Max Lane minimum (\$25,136 average); and Max Lane maximum (\$36,456 average). Such calculations are also consistent with District Exhibit 17, where the District admits that its teachers are ranked 7th out of 10 schools in pay comparability.

As noted below, the arbitrator believes the District is really not making a strict inability to pay argument. It is merely arguing that because of its "poor financial position" and the fact that its residents are "taxed much more heavily," that a lower than average settlement is warranted. The District also argues that the Association's salary proposal unfairly distributes increases to those persons at the top of the schedule who already compare "most favorably" with other districts. See also District Exhibit 17. While this exhibit purports to compare employees with the comparability group, the exhibit contains both salary and insurance comparisons, and a comparison of the four affected individuals suggests, as the District claims, that they are in the "middle range." See summary, par. 10.

The Arbitrator also notes that the parties agree that at least four teachers are retiring, and that four reduction notices have been sent. The parties disagree to

² It was unclear whether New Market school district is a member of the Corner Conference Athletic Conference. Association Exhibit 5-9 included New Market, while New Market was not listed in District Exhibit 3. While the arbitrator included New Market in his calculations, its removal does not change the conclusions.

what extent the District will save any money, however. The District notes that it will have to replace the Spanish, math, and instrumental music positions. They claim that they have to pay more than the starting salary in order to attract such personnel. Nonetheless, turnover savings is a valid consideration, and it is likely that the District may see savings based upon the current retirements and history of turnover in the District. In fact, the collective bargaining history between the parties suggests that the salary settlement projections consistently have been higher than the actual cost of salaries to the District. See Association Exhibit 5-26. Given this history between the parties, it is likely that salaries for the 2002-2003 school year could be lower than the cost of salaries for the 2001-2002 school year. See Association Exhibit 5-26.

Finally, the Arbitrator finds that it is in the public interest and welfare that all employees in the bargaining unit receive some type of pay increase and/or advancement on the salary schedule (consistent with comparability and history), particularly in light of the trend to require employees to share more in the cost of health insurance with the employer. Although there was admittedly no comparability or historical evidence concerning raises solely to employees at the top of each education lane, the comparison to other comparable employers suggests such a raise is reasonable.

Therefore, based on the bargaining history of the parties, comparison to other public employees doing comparable work, the interest and welfare of the public, and the ability of the district to fund such an increase, the arbitrator finds that the Association's proposal on wages is the most reasonable.

2. **Article XI - Insurance.**

A. **District Position.** The District argues that its insurance proposal is the most reasonable, particularly given its financial condition. District summary, par. 8, 10, and 11. It claims the Association presented no comparability data on insurance. As noted above, the District urges the arbitrator to compare Essex employees to other similarly situated employees in the Corner Conference Athletic Conference. See District Exhibit 3. The District calculates its total offer package to be a 2.16% increase. See District Exhibit 5, page 2 of 4, and District Exhibit 8. The District costs the Association's total package final offer to be 3.47%. See District Exhibit 8, page 2 of 2.

The District argues that its wage (and insurance) packet is the most reasonable for several reasons discussed above, including attendance (District Exhibit 9), regular program fund increases (District Exhibit 10), and "the governor's" 4.3% across the board cut (District Exhibit 11). The District notes that Essex has a lower property valuation per student than the other districts in its comparability group, even though all of the other comparable districts are in one of the poorest property valuation portions of the state of Iowa. *Id.* The District also notes that its unspent balance dropped around \$341,386.00, during the same period of time as the regular program grew only 2.2%, and further claims that it is the only district in the comparability group with a negative solvency ratio. District Exhibit 13.

In this respect, the District notes that June 30, 2001, the District exceeded its operating fund authorized budget by \$136,577.00, thus incurring a negative unspent balance. See District Exhibit 14. In the corrective action plan, the District sets forth, among other things, its cost cutting or revenue enhancement actions,

along with various exhibits in supports of its corrective action plan. Id. The District also presented evidence on funds, sources of revenue and restrictions on use of revenue (District Exhibit 15), an Exhibit concerning funding sources for the 2001-2002 school year (District Exhibit 16), a summary of settlements with districts with two years of negative unspent balances (District Exhibit 19A), and a district comparing regular program new money growth in the District's comparability group. See District Exhibit 20A.

The District also presented testimony comparing total salary and insurance in the Corner Conference (District Exhibit 17), and claims that under either proposal, the employees at Essex schools receive above the average in family contributions. See District Exhibit 18. The District argues that its insurance proposal constitutes \$114.79 more per month than the average for those in the comparability group. See District Exhibit 19. Finally, the District introduced an exhibit for regular program teachers only comparing the various proposals and options available to the arbitrator. See District Exhibit 22. The District also presented testimony regarding all staff, including support staff. See District Exhibit 22. The District summarized its position into a two page summary sheet, and argues that despite its poor financial position, its salaries and benefits are in the middle range of the comparable districts, and that the Association's salary proposals and insurance contributions are out of line with comparable districts.

The District agrees with the rates contained in Association Exhibit 4-1. However, it notes that under either insurance proposal, employees with single coverage under PPO 250 or PPO 500 may also be eligible for a TSA. It notes that not all employees in the Association take family insurance. In any event, it also

notes that the cost of either proposal would take almost all of the additional cost to fund family insurance. It argues it is an "equity" issue, and that it is asking for these employees to contribute more towards the premiums. It notes they are attempting to assist such employees by offering a 6% increase towards the cost.

B. Association Position. The Association proposes that the District pay \$332.00 per month for single coverage and \$644.00 per month for family coverage. The District currently pays \$293.00 per month for single coverage and \$569.00 per month for family coverage. See Association Exhibit 4-1, #4. Premiums are expected to increase around 13%. See also Association Exhibit 4-1.

The Association presented evidence regarding the cost of the three PPO plans currently being offered to employees, and the projected cost for the 2002-2003 plans. *Id.*

The Association notes that employees taking the PPO 100 family plan pay an additional \$122.80 in addition to the monthly board's contribution; employees taking the PPO 250 family plan pay an additional \$82.25 in addition to the monthly board's contribution; and employees taking the PPO 500 family plan pay an additional \$55.43 in addition to the monthly board's contribution. *Id.* at #5.

The Association notes that the Employer's current cost for health insurance premiums for the 2001-2002 school year for regular program staff is \$101,290.00. *Id.* The Employer's cost under its proposal for the 2002-2003 school year would be \$107,519.00, an increase of \$6,229.00 or 6.15%. See Association Exhibit 4-2, #9. According to the Association, the Employer is proposing to cover only half of the actual increase in premiums for the 2002-2003 school year. The Association notes that under its proposal, the Employer would pay \$114,682.00 in health insurance

premiums for the 2002-2003 school year, an increase of \$13,392.00, or 13.22%. Id. The Association also presented evidence that under the Employer's insurance proposal, employees taking family coverage under the PPO 100 would have to pay \$174.84 (compared to the Association's proposal of \$134.84); employees taking the PPO 250 would have to pay \$131.04 (compared to the Association's proposal of \$91.04); and employees taking the PPO 500 would have to pay \$102.08 (compared to the Association's proposal of \$62.08). The Association argues that its proposal on insurance is the more reasonable one in light of the insurance premium increases, and that its proposal causes the "least hardship to employees who take family insurance."

The Association also presented evidence on the ISEBA rate notification for July 1, 2002 (Exhibit 4-3); an Exhibit containing an examination of the impact of insurance to staff (Association Exhibit 4-4); an Exhibit regarding the impact of the Association and Employer proposals on insurance on those employees taking family coverage (Association Exhibit 4-5); and an Exhibit containing an examination of the impact of insurance to staff under the Association's proposal and under the Employer's proposal (Association Exhibit 4-6). Association Exhibit 4-6 indicates that of the 25.2 employees in the bargaining unit, eleven have elected family coverage (Green, Johnson, Kock, Leininger, Lorimor, Lottridge, Peterson, Schuster, Stewart, Stuart, and York). See Association Exhibit 4-6.

The Association also generally notes that the District will be saving considerable money because of employee resignations (Caskey, Coffin, Darling, and Hellrich), and the reduction in force of Ms. Stewart. See Association Exhibit 2-5. The Association also argues that if the Association's final offer on both salary

and insurance is not selected by the arbitrator, "teachers throughout the Essex CSD will lose ground." See Association Exhibit 5-1. It argues that Essex is a small district with good physical facilities, but its greatest asset is its staff. *Id.* The Association further argues that it is common for the percentage dollar increase of a total package settlement to exceed the regular program increases for a variety of reasons. It argues that salary and benefit increases for special teachers are funded by a variety of special funds in addition to the regular program. The Association claims that if an Iowa school district spends more than its amount of allotted special education money, it receives additional spending authority to replace the over-expenditure. Finally, the Association notes that its final offer is costed with all staff members returning. As noted above, the Association notes that with four retirements and one reduction in force, the District will save considerable amounts.

According to the Association, the ISEA is reporting an average 2002-2003 total package settlement of 3.95%. See Association Exhibit 6-1. According to the Association, the District's proposal is only 2.2%, while the Association's proposal is 3.47%. *Id.* The Association claims that the District's salary and insurance proposals are "unreasonable, unfair, and punitive," and claim that the reported settlements show that the District's proposals are "severely less" than settlements across the state.

The Association also claims that the IASB shows an average annual insurance increase of \$462.00 per bargaining unit member. See Association Exhibit 6-1. The Association claims that the District is proposing an annual insurance increase of only \$322.00 per bargaining unit member, while the Association proposes an annual insurance increase of \$698.00 per bargaining unit

member. The Association claims that the IASB reports that the combined average salary increase and average insurance increase for 2002-2003 is \$1,496.00 (\$1,034.00 + \$462.00). See Association Exhibit 6-1. The Association claims that the District's arbitration position amounts to only an \$833.00 salary and insurance increase per employee, while its arbitration position amounts to \$1,368.00 salary and insurance increase per employee.

Based on its comparability group, the Association presented evidence regarding a comparison of the regular program increase in 2002-2003, with the total package settlement in 2002-2003. See Association Exhibit 6-2. Association Exhibit 6-3 through 6-20 contained the ISEA settlement reports for the Association's comparability group. Association Exhibits 6-2 and 6-21 compared the ending fund balance with the total package settlements for the Association's comparability group for 2002-2003. This Exhibit purports to show that for those settlements for school districts with a negative ending fund balance, the average settlement was 3.73%. The Association argues that its total package settlement of 3.47% is closer to the comparability groups reported settlements than the District's. See Association Exhibit 6-21.

The Association also presented testimony regarding the District's ability to pay. See Association Exhibit 7-1 through 7-9. The Association presented history regarding the regular program money at the District (Association Exhibit 7-1), and also compared the 2002-2003 regular program money for various districts. See Association Exhibit 7-2. The Association also argues that the District estimates it will have \$65,414.00 in unspent balance, and that the District has passed an instructional support levy that will increase its maximum authorized budget starting

with 2001-2002. See Association Exhibit 7-4. In this respect, the Association notes that the instructional support spending authority received for 2001-2002 is around \$111,215.00, and that a new amount will be calculated for the 2002-2003 instructional support levy. The Association also notes that Iowa school districts have the power to levy cash reserved to fund spending authority, and improve cash flow, to make up for a shortfall. See Association Exhibit 7-6. The Association claims that the District levied \$81,795.00 of cash reserved to be received during 2001-2002, and \$95,835.00 to be received during 2002-2003. The Association claims that this levy is more than enough to offset the 2001-2002 shortfall of \$38,467.00 and other shortfalls. Id. The Association also notes that the District will receive additional special education related money of \$33,930.00, and that the District can use the physical and equipment levy for purchase of vehicles for student transportation equipment. The Association notes that the District may receive \$19,902.00 during 2002-2003. See Association Exhibits 7-8 and 7-9. Finally, the Association claims that the arbitrator award will not raise, nor will it lower, the District's tax rate. See Association Exhibit 7-7.

Finally, the Association submitted two arbitration awards. According to the Association, Arbitrator Kohn's award in the Northwood-Kensett impasse is currently the only published award in the state of Iowa for the 2002-2003 bargaining round. The Association also presented a 1987 award from Fact finder Nathan. The Association claims that Arbitrator Kohn's award is of particular relevance, because the District in that case also cited critical financial problems in support of its arbitration positions. The Association notes that Arbitrator Kohn rejected the District's arguments and claims that Arbitrator Kohn's observations regarding that

District apply in the instant case: "The District's financial circumstances . . . reflect a broad range of management decisions and spending practices over a number of years . . ." See Kohn decision, page 12.

C. Findings of Fact. Of the 25.2 full-time equivalent employees in the unit, at least nine currently take single coverage and 10.2 employees currently take family coverage. See District Exhibit 5, p. 4 of 4; Association Exhibit 4-6. The Association proposes to change the District contribution towards single coverage from \$293 to \$311, and change the District contribution towards family coverage from \$569 to \$604. See Association Exhibit 1-7. The parties both agree on the three PPO Plans currently being offered to employees, and the 2002-2003 monthly premiums. See Association Exhibit 4-1. The parties also agree that the primary dispute between them regarding insurance concerns those persons electing family coverage. See, e.g., District summary, par. 11, and Association Exhibit 4-2, par. 11.

The Corner Conference comparability data suggests that the family contributions paid by the District are the third highest. Thus, the Freemont-Mills district contributes \$700 towards family insurance, and the Sidney district contributes \$638 towards family insurance. See District Exhibit 18. There was no further information presented by either party concerning either the collective bargaining history of family insurance in the comparability group, nor the collective bargaining history between the parties concerning district contributions towards family coverage. See, e.g., Association Exhibit 4-1 through 4-6. Accordingly, on this record, the only information regarding comparability in monthly family contributions paid by the district is District Exhibit 18, which suggests that the Essex

employees compare very favorably in the comparability group regarding monthly contributions paid by the District. Conversely, the arbitrator notes that the District admits that the salaries received by Essex employees apparently ranked 7 out of 10 in the comparability group. See District Exhibit 17.

The arbitrator notes that comparability is often difficult with health insurance because each plan differs so much. Here, however, the parties agree on all costs and premium information. The only dispute centers on how much the District should pay: either 6.15% or 13.22%. See Association Exhibit 4-2. The comparability data suggests that the District's proposal of \$604 per month (or 3rd out of 10 in the comparability group for the 2002-2003 bargaining round), is the most reasonable. It also allows the Essex district to maintain its rank in the comparability group. On the other hand, the arbitrator notes that the Association's proposal of \$644 per month would move Essex ahead of Sidney (\$638) and would result in a higher ranking in the comparability group. Although such movement would not be inappropriate if it were based on collective bargaining history or comparability, no such information was provided, and it nonetheless reinforces the arbitrator's belief that under either proposal, the Essex employees fair quite well among similarly situated employees.

The arbitrator also notes that the District's cost for health insurance premiums will be \$107,519, an increase of \$6,229, or 6.15%, which is arguably a substantial increase. Again, there was no further comparability data showing the collective bargaining history regarding the percentage premium increase between the parties, nor the premium increases for similarly situated comparable employers,

nor such information regarding total increases in premiums either historically or in the comparability group.

The arbitrator also believes, given the comparability information (or lack thereof) that it is in the public interest and welfare to require employees to share more in the cost of health insurance with the employer. Such cost sharing also ensures both parties will seriously bargain health insurance issues, and work jointly to cut costs and explore all of the various options (e.g., changing deductibles, out of pocket maximums, percentage contributions, self-funding, etc.).

The arbitrator also notes the information submitted by both parties regarding the District's ability to pay. The arbitrator does not really understand the District to be making a strict inability to pay argument, but is merely arguing that the District's negative unspent balance, negative cash position, and negative solvency ratio rank Essex "by far" one of the poorest in the comparability group. See, e.g., District Exhibit 20 and its summary. The arbitrator further notes that the District admits that the Association's total package is close to the average percentage settlement for the 2002-2003 bargaining round, but that such a total package settlement is not appropriate here due to Essex's "poor financial position." See District Exhibit 19. (While the District also notes that its proposal is consistent with districts with two years of negative unspent balances, the arbitrator notes that none of the districts cited in the exhibit are from the comparability group.) See District Exhibit 19A. Again, information regarding the collective bargaining history between the parties, and the collective bargaining history in the comparability group would have been persuasive to the arbitrator to place this financial information into better perspective. Salary and insurance, of course, are separate issues for impasse procedures.

Here, the parties have chosen to present their case involving both issues, and an arbitrator arguably cannot ignore financial impact of both of these issues on the District. But, it is simply undisputed that the family contribution paid by the District is one of the highest in the comparability group.

The arbitrator has also carefully read Arbitrator Kohn's award in the Northwood-Kensett impasse. First, the arbitrator notes that the district in that case actually proposed **reducing** the maximum payment for family health insurance coverage from \$411 to \$402, a reduction of 1.7% from the prior year. See page 19 of the award. Such a proposal in this case would result in the Association truly "losing ground." In addition, Arbitrator Kohn relied on comparable employers and the Northwood-Kensett district's ranking in the comparability group. See page 21-22. She concluded that there was nothing from either the district's financial condition, the comparison group, or any other factors suggested by the parties that would warrant a reduction in the district's overall contributions to single and family health insurance. See page 22. Here, the District is not proposing a reduction in family health insurance premiums, but is proposing a 6.15% increase. See Association Exhibit 4-2. Moreover, the board's monthly contribution to family insurance is consistent with the only comparability data submitted by the parties. See District Exhibit 18.

The arbitrator also notes that the parties are represented by experienced negotiators with over 50 years of collective bargaining experience between them. According to the only comparability data submitted, this District ranks 7 out of 10 in wages, but 3 out of 10 in monthly family contributions paid by the District. Compare District Exhibit 17 and 18. To achieve this result, some trade off was likely made

that resulted in the current rankings. As this arbitrator has noted elsewhere in other awards, the trade off was not explained to the arbitrator, and the arbitrator is reluctant to substitute his judgment for the parties on such a record.

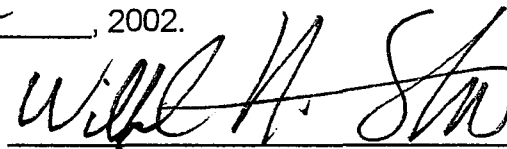
Accordingly, based on the collective bargaining history of the parties, comparison to other public employees doing comparable work, the interest and welfare of the public, and the ability of Essex School District to fund such an increase, the arbitrator believes that the District's proposal on insurance is the most reasonable.

H. CONCLUSIONS OF LAW/AWARD

In accordance with the statutory criteria imposed upon the Arbitrator, the Arbitrator determines as follows:

1. **Salaries – Schedule A.** The final offer of the Association is selected as the most reasonable.
2. **Article XI - Insurance.** The final offer of the District is selected as the most reasonable.

Dated this 26th day of June, 2002.



Wilford H. Stone, Arbitrator

CERTIFICATE OF SERVICE

I certify that on the 26 day of June, 2002, I served a copy of the foregoing Arbitration Award upon the following persons by mailing pursuant to the Iowa Code and the Iowa Rules of Civil Procedure:

Susan M. Bolte
Administrative Law Judge
Iowa Public Employment Relations Board
514 East Locust Street, Suite 202
Des Moines, Iowa 50309-1912

Ms. Sue Seitz
666 Walnut, Suite 2000
Des Moines, IA 50309-3989

Mr. John Phillips
1110 Broadway
Red Oak, IA 51566



INDEPENDENT IMPASSE AGREEMENT

The Essex Education Association and the Essex Community School District Board of Directors hereby agree to waive May 31 for completion of negotiations or impasse procedures as specified in Chapter 20, Code of Iowa. The association and the district agree to continue negotiations and participate in impasse procedures after May 31 until such time as a collective bargaining agreement is arrived at through voluntary resolution or an arbitrator's decision is awarded. The parties further agree on behalf of the association, the district, and their constituents not to challenge the collective bargaining agreement or arbitrator's award on the basis that the agreement or award was not completed until after May 31, 2002. The association and the district agree in all other particulars to follow the impasse procedures set forth in Chapter 20, Code of Iowa.

Nancy York Sarah Otridge
for the
Association

6-14-02
Date

for the
Employer

4-14-02
Date